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RUEHMO/AMEMBASSY MOSCOW PRIORITY 0736  
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 1192  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0134  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
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RHEHNSC/NSC WASHDC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 003864

SIPDIS

SIPDIS

NEA/ELA  
NSC FOR ABRAMS/DORAN/SINGH  
TREASURY FOR GLASER/LEBENSON  
EB/ESC/TFS FOR UNDERRINER/BRUNO  
IO/T FOR TOBEY

E.O. 12958: DECL: 08/02/2016  
TAGS: [EAIR](#) [ECON](#) [EINV](#) [ETTC](#) [SY](#)  
SUBJECT: PROPOSED SARG AVIATION DEALS TO AVOID US SANCTIONS

REF: A. DAMASCUS 1811  
[1](#)B. DAMASCUS 3186

Classified By: Charge d'Affaires Michael Corbin, reasons 1.4 b/d

[1](#)1. (U) Summary. Despite Minister of Transport Yador Sulieman Bader,s public touting of the attractiveness of the January 2006 Russian offer (Ref B) to sell Syrian Arab Airlines (SyrianAir) five to seven Russian-built aircraft to replace their aging Airbus/Boeing fleet, no deal has yet been signed. UNDP/ICAO efforts to assist the SARG in leasing Airbus or Boeing airframes continue. Meanwhile, several creative options are being explored by the SARG to skirt US sanctions in an attempt to secure much-needed replacement aircraft for SARG-controlled SyrianAir. End Summary.

[1](#)2. (C) Under UNDP sponsorship, ICAO has worked since the beginning of this year to help the SARG lease new Airbus or Boeing aircraft for SyrianAir (Ref A). On 01 August, UNDP staff in Damascus told us that ICAO, after meetings with the Departments of Commerce and State on 12-14 July, was feeling &positive8 about the chances of completing either a &wet8 (Lessor retains control of aircraft and provides aircrews) or &dry8 (Lessee takes control of and provides aircrews for all aircraft) lease of Boeing or Airbus aircraft on behalf of SyrianAir. Resident UNDP Representative Ali Za,tari showed us correspondence from ICAO stating that their arguments concerning civil aviation safety waivers resonated especially loudly at State. As a result, ICAO planned to release a tender for both &wet8 and &dry8 leases of new aircraft for SyrianAir. We asserted to Za,tari that, based on our own consultations with the Department of Commerce, ICAO,s assumption that a wet lease would not require a US license was wrong, as any lease of Boeing or Airbus planes would in fact require such a license.

[1](#)3. (U) Since January 2006, the SARG has been discussing purchasing Russian-built aircraft to replace SyrianAir's aging fleet of Boeing and Airbus planes. While the SARG is publicly positive about a proposed deal to buy Russian planes (Ref B), claiming favorable financial terms and citing strong business ties between Syria and Russia, it is thus far reluctant to back its words with its wallet. Bader and Russia,s Ambassador to Damascus have signed two Memoranda of

Understanding on aviation in the last month. The first is an option to purchase two or three Ilyushin-96 planes (each with a capacity of 300 pax and a range of 13,000 km) and three or four Tupolev planes (150 pax, short range). The second is a deal to open in Syria a regional maintenance hub for servicing Russian-built aircraft. Initial press reports asserted that studies would be finalized by the end of July 2006, a contract signed shortly thereafter, and delivery of the first plane would occur in 2008, but no action has yet been taken; Za,tari told us that despite the favorable terms of the Russian contract, TransMin Bader doesn,t really want to buy the Russian product (Ref A).

¶4. (SBU) The SARG also is looking towards regional friends for assistance. Three separate efforts are underway. First, TransMin Bader recently met with a Kuwaiti delegation to discuss a joint Kuwaiti-Syrian airline company, funded by the Kuwaiti Investment Fund. This airline would have local and regional services based in Syria and would support SyrianAir. Second, a recent press article claims that Emirati companies are considering leasing unspecified aircraft to SyrianAir to help expand their fleet. Finally, the latest entry is a statement by the Chairman of SyrianAir that the next few days will bring the official announcement of the establishment of the first-ever private joint venture airline in Syria. To be established before the end of 2006, this airline will have Syrian and other Arab private investors, but not a SARG component. Neither the Emirates nor Kuwaiti Embassies were aware of any specifics on either initiative, leading us to believe there is little to them beyond the press statements.

¶5. (C) Comment. According to Za,tari, SARG thinking is two-fold: arrange a wet lease as a stopgap measure to relieve

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the burden on their aircraft, and keep working towards a longer-term purchase solution through the various means detailed above. Unfortunately, based on our conversation with Za,tari and the letter he showed us from ICAO, it appears ICAO still labors under the false assumption that SyrianAir can lease Boeing or Airbus planes without going through the US licensing process. These ongoing efforts by the SARG to salvage the Airbus purchase deal, however, seem to be slowly giving way to other initiatives as the likelihood of success grows dimmer. With the current crisis in Lebanon, SyrianAir is bragging that it is flying more people in and out of Damascus than any other airline; left unsaid is the added strain this puts on a fleet already struggling with air-worthiness. SARG officials have recently commented on the possibility of reducing or eliminating some routes, which could be the first tacit acknowledgement that their planes cannot safely continue as they have been. Meanwhile these new investment options and private ventures are creative attempts to thwart US sanctions; however, they are quickly running out of time: SyrianAir's entire fleet will meet recommended retirement age in 2008.

CORBIN